

## ROUTING AND RECORD SHEET

**SUBJECT:** (Optional)

20 October CCEA Meeting

**FROM:**

Maurice C. Ernst  
NIO for Economics

**EXTENSION**

**NO.**

**DATE**

20 October 1982

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**TO:** (Officer designation, room number, and building)

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**COMMENTS** (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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21 OCT 1982

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**THE DIRECTOR OF CENTRAL INTELLIGENCE**

WASHINGTON, D.C. 20505

**National Intelligence Council**

NIC #8460-82  
20 October 1982

**MEMORANDUM FOR THE RECORD**

**SUBJECT: 20 October CCEA Meeting**

1. The CCEA meeting dealt mainly with the financial situation in Mexico, Brazil, and Argentina. There was also a brief report on the status of US-EC steel negotiations.

2. Deputy Secretary McNamar reported on the Mexican, Argentine, and Brazilian situations. In general some optimism was expressed but the situation is still touch and go.

3. He is cautiously optimistic that the Mexicans will sign an agreement with the IMF (a Letter of Intent) within two weeks or so, although there are still disagreements on several points, especially the size of the future budget deficit. This optimism is based mainly on Finance Minister Silva Herzog's assertion that there was a political showdown about ten days ago, which resulted in a victory for his conservative side. He believes President Lopez Portillo will approve the agreement.

4. To protect themselves from possible problems with Mexican loans, many large US banks are substantially increasing their loan loss reserves. This will show up in lower bank profits and is also braking the decline in the prime interest rate.

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6. An Argentine agreement with the IMF is possible within two or three weeks. It is still uncertain whether the Argentine government has the necessary political will. The banks will not reschedule debt until an IMF agreement has been signed. Unlike Mexico, the BIS will not help.

7. The Brazilian situation will be touch and go at least until the November 16 election. Actual foreign exchange reserves are now \$1.5 billion, much less than officially claimed. The Brazilians say they need \$4 billion of new money this year. They have no chance of getting

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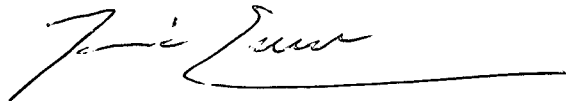
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it. After the election there is a good chance that the Brazilians will make the necessary policy adjustment.

8. A US-EC agreement restricting steel imports to the US has been all but signed. Only the Germans are hold-outs, and they probably will sign soon. There is much concern, however, that this agreement will stimulate strong demands for restrictions on steel imports from other countries, especially Japan, Korea, and Brazil. Ultimately this could lead to a world steel cartel.

A handwritten signature in dark ink, appearing to read 'M. C. Ernst', with a long horizontal flourish extending to the right.

Maurice C. Ernst

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NIC #8460-82  
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